

**EXHIBIT “E”**



**Office of the Secretary  
Department of Finance**

P.O. Box 5234 CHRB, Saipan MP 96950

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March 10, 2022

SFL 2022-105

Francisco C. Aguon  
Acting Director, Division of Procurement Services  
Department of Finance  
P.O. Box 510008CK  
Saipan, MP 96950

Re: *Sole source justification for award of contract to Marianas Pacific Express, LLC.*

Hafa Adai Acting Director Aguon:

Pursuant to Section 70-30.3-215 and Section 70-30.3-225 of the Procurement Regulations, I request approval to execute a sole source contract with Marianas Pacific Express, LLC. Marianas Pacific Express, LLC. is to operate regular flights at set rates between the islands of the Commonwealth of the Northern Mariana Islands (CNMI), as well as between the CNMI and the island of Guam. Marianas Pacific Express, LLC., doing business as Marianas Southern Airways, is a joint venture affiliated with Southern Airways, a reputable United States-based airline consisting of 39 flight destinations, 222 daily departures and 35 aircrafts total, many flights of which focus on inter-island commuter air-travel including inter-island flights between the Hawaiian Islands. Southern Airways is also inter-line partners with three major airlines, United, American, and Alaska Airlines.

The scope of work for this contract shall consist of providing inter-island scheduled and chartered air and cargo passenger service between the islands of the Marianas Islands including Saipan, Tinian, Rota and Guam at set rates as well as to provide for additional considerations.

Under Section 70-30.3-215(a) of the Procurement Regulations, an agency is permitted to procure services without using full and open competition (such as a sole source procurement under Section 70-30.3-225(b)) where,

- (1) Officials with expenditure authority, before executing the contract, shall justify to the P&S Director in writing the following:
  - (i) The need for contracting, the purpose of the contract, how the expected outcome would help the agency achieve its objectives, and that the services do not unnecessarily duplicate any previously performed work or services.
  - (ii) The non-availability of resources within and without the agency;
  - (iii) Vendor qualifications. The official with expenditure authority shall review any contractor evaluation on file with the P&S Director. For professional services contract, a completed resume for each contractor participant who will exercise a major role in the completion of the contract will be required; and
  - (iv) Reasonableness of price. No presumption of reasonableness shall be attached to the incurring of costs by a contractor. The following factors will be used in determining whether costs are justified: cost information in sufficient





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detail to support and justify the contract; cost information for similar services, with differences noted and explained; and special factors affecting the costs under the contract. For contract amendments, the agency shall examine price considerations in the same manner as one would examine them for a basic contract. If the independent government estimate appears to be defective, other means of comparison, such as a history of contracts with similar requirements, or current market prices, shall be used...

The proposed contract with Marianas Pacific Express, LLC. satisfies each of these criteria:

- Section 70-30.3-215(a)(1)(i): The purpose of this contract is to procure the services of Marianas Pacific Express, LLC. to provide inter-island scheduled and chartered air and cargo passenger service between the Commonwealth of the Northern Mariana Islands of Saipan, Tinian, and Rota and between the CNMI and Guam.

Currently, only one airline, STAR Marianas Air, provides commercial passenger flight travel between the islands of Saipan, Rota and Tinian on a regular basis. Similarly, only one airline, United Airlines, provides commercial passenger flight travel between the CNMI and Guam.

As a result of the pandemic, the CNMI's economy which is solely reliant on international travel and tourism has halted and commercial activities on all three islands have been detrimentally impacted. This new means of air-transportation will allow tourists and potential visitors a secondary accommodation option and additional flight schedules for travel into the island of Saipan transiting from the island of Guam. Currently, United Airlines has only one daily flight to and from Saipan every morning. This flight schedule is inconvenient and unideal for travelers anticipating entry into the CNMI from the United States as the daily Honolulu to Guam flight arrives on Guam around 6 pm every evening requiring a 12-hour overnight layover for transitters. This means that all travelers, visitors and returning CNMI residents must acquire overnight accommodations on the island of Guam before catching the connecting flight into CNMI; otherwise, transitters must remain stranded at the Guam Airport overnight with little to no access to food and beverages, sleeping areas, or washrooms.

In addition, because there is a lack of flight availability into the islands of Rota and Tinian, it is costly and inconvenient for tourists to visit these two main islands. Moreover, because the Tinian and Rota economies are also reliant on tourism to support their economies, tourist sites, businesses, and the Rota and Tinian workforces continue to suffer. On many occasions, the lone airline offering inter-island flight service in the CNMI, STAR Marianas Air, has expressed that they lack the resources, staffing, and capacity to increase flights to and from Saipan and the islands of Rota and Tinian. The CNMI has communicated and pursued several avenues, including other air-transportation providers, to meet this critical need for the Commonwealth, however, nothing has materialized from these efforts.





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In recent months, the CNMI's lone inter-island airline, STAR Marianas Air, temporarily suspended flights between the islands of the CNMI causing unease and panic especially for residents of Rota and Tinian who had no alternative air-travel options to and from the main island of Saipan. Thus, Tinian and Rota residents had no air-travel options out of Rota or Tinian altogether. The monopoly airline's hasty suspension of its inter-island commercial flights within the CNMI caused the utmost concern for the Rota and Tinian medical referral patients reliant on STAR Marianas Air's flight schedule dependability for medical treatments and appointments on Saipan as there are no hospitals on both the islands of Rota and Tinian. So as not to have this situation be repeated, the Commonwealth seeks immediate and critical inter-island travel alternatives to safeguard the health and safety of Tinian and Rota and to ensure reliable air transportation between the three main Commonwealth islands.

Further, there have been several instances in the past where the monopoly airline has experienced unanticipated airline or aircraft predicaments causing the cancelation of the limited flights between the islands. Due to the lack of options for air-transportation across the islands, the contracting of Marianas Pacific Express, LLC. for this purpose, will allow for more dependable interisland travel options into the CNMI for visitors and residents. These services do not unnecessarily duplicate any previously performed work or services.

- Section 70-30.3-215(a)(1)(ii): Such reliable air-transportation services are not readily available within the Commonwealth and especially on the islands of Rota and Tinian. Marianas Pacific Express, LLC. is unique in that the airline is locally run and partially owned by a resident of the Commonwealth. In addition, Marianas Pacific Express, LLC. is also unique because its partial owner is associated with the reputable Southern Airways, who is already heavily involved and successful in conducting dependable inter-island air travel routes in the United States and most notably in the Hawaiian Islands. This joint venture is fitting for the Commonwealth as Marianas Pacific Express, LLC. is not only locally based but has extensive experience and expertise between its partners to ensure that the CNMI's interisland travel accommodations can be met and that there are little to no transportation gaps between our islands in cases of emergency and medical-related needs.
- Section 70-30.3-215(a)(1)(iii): Marianas Pacific Express, LLC. is affiliated with a reputable airline, Southern Airways, which specializes in inter-island air transportation. Marianas Pacific Express, LLC. will be able to ensure that their services offer safety, reliability, and dependable accommodations for CNMI visitors and resident travelers.

*Marianas Pacific Express, LLC.'s proposal is attached as Attachment 1.*

- Section 70-30.3-215(a)(1)(iv): Upon the effective date of the Agreement, the CNMI shall provide to Marianas Southern \$1.5 million dollars in ARPA sourced funding for the purpose of mitigating start-up costs for the airline. "Start-up cost" include acquisition or mobilizing of aircraft/fuel and equipment, staffing, flight crews, training, travel costs, consultants, preparing counter space at CNMI airports, and costs related to those activities.





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Within thirty days of the start of flight operations in the CNMI, Marianas Southern will provide the CNMI an itemized accounting of the items that the Initial Incentive Fund monies were used for. Any monies of the \$1.5 million Initial Incentive Fund not used on start-up costs will be returned to the CNMI. If Marianas Southern is paid the Initial Incentive Fund but fails to start flights by the time indicated on the contract (subject to delivery of aircraft from the manufacturer (any delay not to exceed thirty days beyond the end of May)), Marianas Southern will reimburse the government of the CNMI any and all monies provided to the airline under this section.

Marianas Southern agrees to begin scheduled flight service in the month of May. Marianas Southern agrees that during the "incentive period," a minimum of 42 weekly departures serving Saipan, Tinian, Rota, and Guam. In addition, Marianas Southern agrees that as soon as possible, but no later than three (3) months after commencing operations, Marianas Southern will offer same-day connectivity to Saipan with United Airlines' Honolulu-Guam flight. These flights will substantially conform to the schedule set-forth in the Marianas Southern's proposal. Marianas Southern further agrees that it will increase flights/departures during the incentive period. Marianas Southern will utilize Tecnam P2012 Traveler or Cessna Grand Caravan aircraft during the incentive period. For the first six months of the incentive period, Marianas Southern shall offer flights during the at the following fares: Saipan to/from Guam: \$99.00; Saipan to/from Tinian: \$39.00; Saipan to/from Rota: \$69.00; and Rota to/from Guam: \$69.00. Clearly Marianas Pacific Express, LLC.'s fees are reasonable.

We believe that the price is reasonable. The CNMI, through agencies such as MVA, has entered into incentive agreements where the agency offered incentive payments of up to \$150,000 per month to induce an airline to fly from Japan to the CNMI. The projected per month payment for Marianas Southern is not much different, and that is based on the most optimistic flight rate. An initial incentive payment is different from MVA agreements. However, we believe that \$1.5 million is reasonable as an incentive in that it is not a great amount given in that it will help bring in another airline that will bring enhanced tourism, competition and security to inter-island air travel. Also, the source of funding is federal ARPA money specifically meant to enhance local tourism, so it will be federal money (not local money) being spent for its purpose, incentivizing and enhancing local tourism.

Further, under Section 70-30.3-225(b) of the Procurement Regulations, [f]or any sole source procurement pursuant to subsection (a)(1), a written justification for sole source procurement shall be prepared by the official with expenditure authority and shall contain the specific unique capabilities required; the specific unique capabilities of the contractor; the efforts made to obtain competition; and the specific considerations given to alternative sources and specific reasons why alternative sources were not selected.

As mentioned, the needs of the CNMI and the capabilities required by the Commonwealth for this contracted service are not only specifically unique but are scarce because these services have historically been difficult to access and obtain, not just for the CNMI, but for the entire region because of our secluded nature. The Commonwealth in its need to provide air-transportation





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alternatives for tourists and residents traveling inter-island require not only safe and dependable aircrafts, but the necessary aircraft equipment and maintenance supplies, and trained professional aircraft operators, maintenance and safety staff and licensed crew members. These capabilities are not readily accessible in the CNMI as presently, there is only one inter-island service provider in the Commonwealth. The limited flight options for travel in and out of the islands of Rota and Tinian, and the unpredictable suspension of flights by monopolizing service provider has hindered the ability of Rota and Tinian residents to seek necessary medical treatment on a consistent basis and has affected their overall ability to enter in and out of their home islands.

Additionally, it is crucial for Rota and Tinian's economic sustainability and development that visitors and tourists are provided with ample and affordable means to travel into the islands because their economies, just like Saipan's, are solely dependent on the tourism market. Moreover, this new means of air-transportation will allow tourists and potential visitors a secondary accommodation option and additional flight services into the island of Saipan from the island of Guam. As Guam possesses the nearest international airport to the CNMI in proximity, this provided service has the ability to dramatically impact the Commonwealth's economic viability.

Furthermore, Marianas Pacific Express, LLC.'s specific capabilities as a contractor is exceptionally notable as it is partially locally owned and will be locally based in the CNMI allowing for all airline decisions will be made locally and with consideration to the needs and input of the CNMI community. On top of that, Marianas Pacific Express, LLC.'s partial owner has extensive experience and expertise as he has been directly affiliated with the reputable Southern Airways, of which maintains flight services all across the United States and has destination hubs in Dallas, Denver, Honolulu, Kahului, Los Angeles, Memphis, Nantucket, New York City, Pittsburgh, and Washington-Dulles. More notably and for the purposes of this contract, Southern Airways has had immense success with its inter-island flight accommodations across the Hawaiian Islands. This distinctive partnership exemplifies the unique capabilities of Marianas Pacific Express, LLC. as the contractor.

The Commonwealth has made several attempts over the years to entice air-transportation service providers to conduct business in the CNMI, but unfortunately, has not been successful. There have been several international airlines who have held passenger services in the Commonwealth but who have pulled out of conducting flight service in the Commonwealth for more sustainable business opportunities elsewhere. These airlines traveled into Saipan only, with the exception of Cape Air which eventually ceased operations after United Airlines acquired Continental Airlines (United Airlines currently only flies into the CNMI from Guam once a day). The CNMI government has communicated the need for more dependable and affordable inter-island flight services within the three main islands of the Commonwealth and between the CNMI and Guam but these efforts never materialized.

Other considerations were provided to existing inter-island flight service providers, however, due to past experiences and requests to increase flight schedules for major events held on Tinian and Rota, the existing inter-island service provider expressed difficulties due to the lack the resources, staffing, and capacity. Further, recently, the CNMI's lone inter-island airline temporarily and with little notice, suspended all inter-island flights in the Commonwealth causing unease and panic for





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Rota and Tinian residents who had no alternative air-travel options to and from the main island of Saipan, thus having no alternative air-travel options out of Rota and Tinian. Accordingly, the CNMI has exhausted its efforts in seeking alternative sources and have listed specific reasons as to why they were not selected.

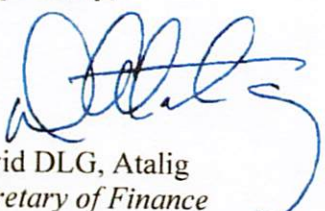
Having satisfied the criteria under 70-30.3-215(a)(2) and § 70-30.3-225(a) and (b), thus justifying the use of a non-competitive award of a contract, I note that I have the authority to issue a sole source contract. Under NMIAC § 70-30.3-225(a)(7), “[a] contract may be awarded for a supply, service, or construction without competition when (1) The Director determines in writing that there is only one source for the required supply, service, or construction...”

As expressed throughout this letter, Marianas Pacific Express, LLC. is affiliated with a reputable and successful airline, Southern Airways, who has immense experience with inter-island travel across the nation and is the only available inter-island air-transportation provider that can immediately meet the Commonwealth’s need for more affordable and accessible inter-island travel options within the Marianas. Acquiring their services will provide dependable interisland travel for tourists, returning residents and medical referral patients, and will bring forth extensive tourism and economic relief throughout all three main islands of the Commonwealth.

For the foregoing reasons, we respectfully request that the Division of Procurement & Supply approve of the sole source justification and determine that the Office of the Governor may enter into a sole source contract with Marianas Pacific Express, LLC. for their much-needed inter-island air transportation services. As demonstrated, my office satisfies the criteria of Sections 70-30.3-215 and 225 of the Procurement Regulations. Accordingly, I ask the Division of Procurement & Supply to approve the application to proceed through sole source contracting.

Should you have any questions or need additional information regarding this letter, please do not hesitate to contact us at (670) 664-1100 or email via [david.atalig@dof.gov.mp](mailto:david.atalig@dof.gov.mp).

Respectfully,

  
David DLG, Atalig  
*Secretary of Finance*